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Report on the Implementation of the Recommendations of the Budget Process Review Panel

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The Honourable Bill Hartley
Speaker of the Legislative Assembly
Province of British Columbia
Parliament Buildings
Victoria, British Columbia
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Sir:

I have the honour to transmit herewith to the Legislative Assembly of British Columbia my 2000/01 Report 2: Report on the Implementation of the Recommendations of the Budget Process Review Panel, September 2000.

Wayne Strelioff

Wayne Strelioff, CA
Auditor General

Victoria, British Columbia
September 2000

copy: Mr. E. George MacMinn, Q.C.
Clerk of the Legislative Assembly

Report on the Implementation of the Recommendations of the Budget Process Review Panel

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Report on the Implementation of the Recommendations of the Budget Process Review Panel

Auditor General's Comments

As we begin the 21st century, governments around the world are recognizing that the traditional ways of carrying out their business are increasingly not meeting the public's expectations. Citizens want their governments to be more transparent and effective in the management of public resources, and to be fully accountable for their performance. The challenges faced by elected and appointed officials in meeting such demands require significant change in public sector management culture and accountability, combined with commitment from those with governing responsibilities.

In British Columbia, the response to these challenges started in earnest with the task of opening up the Estimates process to public involvement and making the process more transparent. As well, the Government expressed a commitment to broaden the scope of its performance planning, monitoring and public reporting by focusing on results. To signal this commitment to change, the Government proposed the Budget Transparency and Accountability Act—legislation that resulted from the recommendations made by the Budget Process Review Panel in September 1999.

As the Budget Transparency and Accountability Act requires, I present here my first annual report on the status of the implementation of the Panel's recommendations. The report shows that, through legislation and other actions, the Government has made reasonable progress, given the time frame for implementation. However, there remain a few important recommendations that the Government has not yet accepted, and these are discussed in the report. And, for many of the Panel's recommendations that the Government has accepted, a lot of work must still be carried out—by the Legislative Assembly, the cabinet, ministries, Crown corporations, central agencies and my Office—to bring life to the substance of the recommendations. (An example is the recommendation to create sectoral legislative committees. Doing so will, I believe, require the Government to prepare financial plans and statements representing each

sector, such as health, education, and transportation.) I will discuss these latter recommendations in my future reports as the scheduled time for their implementation arrives.

I believe strongly that successful implementation of the Panel's recommendations will benefit the legislators and the public of British Columbia. I therefore intend to make it a priority to do what I can to ensure that the reforms succeed, such as reviewing and evaluating government practices in planning and public reporting.

In meeting my commitment to support the whole of government in its efforts, I must also ensure that my Office is itself a leader in openness and accountability for performance To that end, I am reviewing my Office's own organizational structure and capacity, making changes and enhancements where needed. In doing this, I will ask for the support of the Members of the Legislative Assembly to confirm in legislation the authority and independence I need to effectively fulfill my responsibility to the Legislative Assembly.

I wish to acknowledge the valuable assistance my Office has received from senior government officials in our efforts to prepare this report. I also wish to acknowledge the hard work, professionalism and dedication of my staff in the timely production of the report.

Wayne Strelioff, CA
Auditor General

Victoria, British Columbia
September 2000

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Introduction

In Canada, as in many parts of the world, citizens are asking for better and open government. They want their elected representatives to exercise effective governance and they want to know what the government of the day is doing and achieving. This has motivated elected representatives—and many other interested parties, including senior public service employees, legislative auditors, academics and various agencies—to put significant effort into examining accountability relationships, structures and practices in the public sector. Invariably, these examinations have concluded that, if public confidence in the way governments manage, spend and account for public funds is to be strengthened, many of the existing accountability mechanisms must be reformed.

To date, governments in British Columbia have received much advice on how to bring about such reforms in this province. Most significant in this regard have been the wide-ranging recommendations made by the Budget Process Review Panel on budgeting and financial management. These are contained in the Panel's report, *Credibility, Transparency & Accountability—Improving the B.C. Budget Process*, issued in September 1999.

The Panel, which had been formed to respond to the Auditor General's 1999 report, *A Review of the Estimates Process in British Columbia*, called on the Government to implement most of its recommendations through legislation. Heeding this advice, the Government introduced the Budget Transparency and Accountability Act (see Appendix B), which was given Royal Assent on July 6, 2000.

Purpose of This Report

The Budget Transparency and Accountability Act requires the Auditor General to report to the Legislative Assembly each year by September 30 on the implementation of the recommendations made by the Budget Process Review Panel. This report meets that responsibility for the year 2000, and highlights some important issues that must be addressed to successfully implement the recommendations.

Background

The impetus for public accountability reform in British Columbia began in 1995 when our Office collaborated with the Province's most senior public servants—its Deputy Ministers—on the design of a results-focused accountability framework. The framework gave government a guide for implementing performance-based (results-oriented) management and for reporting publicly on its intentions and results. The results of this collaboration—the Accountability for Performance initiative—were published in three joint reports (see Appendix C). One of the reports included an implementation plan, developed by the Deputy Ministers, for putting modern performance-based management systems into place in government organizations.

The Public Accounts Committee—a select standing committee of the Legislative Assembly—actively supported the initiative, holding a series of public hearings and identifying the kind of information that legislators need to more effectively hold government to account. In 1996, in a report to the Legislative Assembly (see Appendix D), the Committee presented to the Assembly ten recommendations for enhancing accountability for performance in the British Columbia public sector. Four of those recommendations focused on the information that Government should report to the Assembly, four addressed the way in which legislative committees should hold Government accountable, and two discussed the Estimates (budgeting) as part of an accountability process.

Unfortunately, the recommendations of the committee were not acted on. Neither were the implementation efforts under the Accountability for Performance initiative consistent across government. Thus, the initiative did not proceed as planned.

In 1999, the Auditor General's report to the Legislative Assembly entitled *A Review of the Estimates Process in British Columbia* discussed both the governance and management aspects of the Estimates process. The report recommended changes to the way in which the cabinet develops the provincial budget (including the Estimates) and the way in which the Legislative Assembly scrutinizes and approves the Government's spending plans. The report also recommended significant changes to the way the Government plans its finances and programs, monitors actual results and reports on its performance to the Assembly.

The Auditor General encouraged the Government to give a committee of the Legislative Assembly, or a committee of appointed external experts, the opportunity to review the recommendations in his report.

The Government's response was to establish the Budget Process Review Panel in April 1999. Its terms of reference for the Panel stated that:

> *The report by the Auditor General on the Estimates Process in British Columbia contains recommendations for a number of changes to the process used by government to create its annual budget and the way government reports on its budget performance. The government will address all of the changes recommended but wishes to seek broader views on some of the major recommendations of the Auditor General that affect input into the budget process and information presented by the government on the budget.*

In September 1999, the Panel issued its final report entitled *Credibility, Transparency & Accountability—Improving the B.C. Budget Process.* The report contained 26 recommendations that reaffirmed our recommendations with respect to the Estimates process, calling for fundamental changes to the way the Government prepares its annual budgets, monitors results and reports on its governance of public resources. The Panel also echoed previous thinking of our Office on accountability and performance management and the recommendations of the Public Accounts Committee on the substantive reform of legislative committees.

The Government publicly responded to the Panel's recommendations in its Budget 2000 Report, indicating agreement with most of the recommendations. It then introduced new legislation entitled Budget Transparency and Accountability Act, which the Legislative Assembly passed on July 6, 2000.

Status of the Implementation of the Panel's Recommendations—A Summary

The Panel's 26 recommendations fell into five broad areas:

- **A more transparent process**—recommendations intended to make the budget process more open, accessible and deliberative
- **Reliable and credible budget forecasts**—recommendations intended to increase public confidence in budget forecasts by enhancing disclosure
- **Improved accountability for results**—recommendations intended to change the focus of the budget cycle from just accountability for financial results to include as well accountability for the program results of public sector activities
- **Improved accounting**—recommendations intended to increase public confidence that financial information presented by government is a fair representation of the substance of the Province's financial affairs
- **Better information**—recommendations intended to make all the public information provided throughout the budget cycle more useful and accessible as a result of applying the Panel's principles of timeliness, consistency, comparability and transparency

The Panel concluded that, for most of its recommendations, new legislation would provide a good base to ensure subsequent implementation. One of the Panel's recommendations was to ask the Auditor General to report each year on the implementation status of its recommendations. The Budget Transparency and Accountability Act incorporates that requirement.

In making assessments under this requirement, we have determined not only whether a legislative provision exists or not, but also whether the provision has been complied with in a way that is consistent with the spirit of the Panel's recommendations. For example, the Budget Transparency and Accountability Act requires government organizations to publish three-year performance plans. In assessing the extent of implementation of that legislative requirement, we will be looking beyond the mere existence of plans and evaluating their quality and completeness.

Overall Conclusion

We concluded that, overall, the Government has made reasonable progress in implementing the recommendations of the Budget Process Review Panel. The area where progress has not been satisfactory is the basis of financial accounting and reporting, discussed by the Panel under the broad area of "improved accounting." The Government continues to exclude school districts, universities, colleges and health authorities (the SUCH sector) from its reporting entity, and it has not enhanced the Auditor General's authority to influence the interpretation of accounting policies.

According to the Panel, the purpose of the recommendations to improve accounting was "to increase public confidence that financial information presented by Government is a fair representation of the substance of the Province's financial affairs." The Panel emphasized that the "financial information must be reliable and credible to be useful in holding government accountable."

The Panel recommended that legislation require financial information to be presented in accordance with generally accepted accounting principles (GAAP). That would mean, for example, expanding the reporting entity for the Government's budget and financial statements to include the SUCH sector, as required by GAAP. The Panel believed that requiring compliance with GAAP would result in better accounting and in full and fair disclosure of financial information. The Government, however, continues its practice of presenting financial information in accordance with accounting policies, which do not, in certain significant respects, follow GAAP.

The Panel also considered the separate issue of how the accounting policies, once set by the Treasury Board, should be interpreted in various circumstances. To address this matter, it recommended that legislation provide the Auditor General with enhanced authority and responsibility to influence the interpretation of accounting policies. The Panel reasoned that while the Government should continue to have the authority to establish the policies, the Auditor General should be given specific authority to influence the interpretation of those policies in the context of GAAP. As an auditor, the Auditor General has a professional responsibility to assess the fairness of the financial

statement presentation on the basis of the most appropriate accounting policies. On the other hand, the Auditor General Act currently requires the Auditor General to express his or her opinion on the basis of the government accounting policies, which may not be the most appropriate. Consequently, this creates a situation that may result in a confusing message to the users of the Government's financial statements, including the Members of the Legislative Assembly. We believe enhancing the Auditor General's authority to influence the interpretation of the accounting policies could be achieved by an explicit, formal requirement for the Auditor General to state, in his or her opinion on the financial statements of the Province, whether the most appropriate accounting treatment has been used by the Government.

These are serious deficiencies in the Government's efforts to improve the budget process, and we urge the Government to rectify them by:

- Proposing an amendment to the Budget Transparency and Accountability Act to require the Government to establish its accounting policies in accordance with generally accepted accounting principles.
- Proposing an amendment to the Budget Transparency and Accountability Act to require the Government to include in its reporting entity the SUCH sector, in accordance with generally accepted accounting principles.
- Proposing an amendment to the Auditor General Act to confirm the expectation that the Auditor General is to provide an opinion on whether the Government's financial statements are fairly presented in accordance with generally accepted accounting principles.

We provide a more detailed discussion on each of these issues in the Summary of Findings that follows, and in Appendix A.

Summary of Findings

Exhibit 1 summarizes for each recommendation whether Budget Transparency and Accountability Act has fulfilled the Panel's requirement for legislation, and whether, in our opinion, as at September 2000, the recommendation was:

- implemented;
- partially implemented;
- not satisfactorily acted on; or
- either in progress of being implemented or implementation is expected some time in the future.

In summary, we found that of the 26 recommendations made by the Panel, 22 required legislation. Of these, 13 were fully reflected in the Budget Transparency and Accountability Act, 6 were partially reflected in the Act, and 3 were not reflected.

We also found that 9 recommendations have been fully or substantially implemented, 3 recommendations have been partially implemented and 4 recommendations have not yet been satisfactorily acted on. For the remaining 10 recommendations, work is either in progress or future action is expected.

Our detailed discussion on each of the recommendations is provided in Appendix A.

Exhibit 1

Budget Process Review Panel's Recommendations: Summary of Implementation Status

Panel Recommendation	Does BTAA fulfill Panel's requirement for legislation?	Implementation Status				Notes (see pages 11-16)
		Implemented	Partially implemented	Not satisfactorily acted on	In progress or future action expected	
A More Transparent Process						
1. Pre-budget consultation document	Yes				✓	
2. Pre-budget consultation by select standing committee	Yes				✓	
3. Budget timing	Yes	✓				
4. Sectoral legislative committees	N/A			✓		1
5. Curbing the use of special warrants	Yes		✓			2
Reliable and Credible Budget Forecasts						
6. Economic Forecasting Council	Yes	✓				
7. Disclosure of material assumptions	Yes	✓				
8. Attestation by Secretary to Treasury Board	Partial	✓				3
9. Disclosure of fiscal forecasts that differ from most likely forecasts	Yes	✓				
Improved Accountability for Results						
10. Government strategic plan and annual report	Partial				✓	4
11. Annual business plans and annual reports	Yes				✓	
12. Standard key performance indicators	N/A				✓	
13. Summary business information	No				✓	
14. Relaxing input controls	N/A				✓	
15. Performance management techniques	N/A				✓	
Improved Accounting						
16. Generally accepted accounting principles	No			✓		5
17. Reconciling surplus or deficit with changes in debt	No			✓		6
18. Interpretation of accounting policies	Partial		✓			7
19. Government reporting entity	Partial			✓		8
20. Accounting policies for the Estimates	Yes		✓			9
21. Focus on summary reporting entity	Yes	✓				
22. Gross basis of accounting	Partial	✓				
Better Information						
23. Transparency, consistency and comparability	Yes				✓	
24. Reports and information release dates	Yes	✓				
25. Capital budgeting	Partial				✓	
26. Monitoring progress of implementation	Yes	✓				

Notes to Exhibit 1:

1. Sectoral Legislative Committees:

The Government has said that it is prepared to support this recommendation, but indicated that the specifics of legislative reform need to be worked out by the entire Legislature. Despite some efforts this year on the part of the Government and the Official Opposition to develop details of a reformed Estimates debate process, sectoral committees have yet to be established.

We recommend that the Government, and in fact all Members of the Legislative Assembly, intensify efforts to reform the legislative committee system. A possible approach —and one already recommended by the Public Accounts Committee—would be to strike a special all-party legislative committee to review the issue and make recommendations to the Legislative Assembly on how to proceed.

2. Curbing the Use of Special Warrants:

The Budget Transparency and Accountability Act requires a revised fiscal forecast to accompany any special warrant used, resulting in a consequential amendment to the Financial Administration Act requiring a report as recommended by the Panel. This fulfills the legislative requirement of the Panel. However, the Panel also recommended that special warrants only be used in true emergencies. For the 1999/2000 fiscal year, we note that the Government used a special warrant, not a Supplementary Estimate, to approve additional spending that appeared to be for ongoing government operations for that year. The warrant was accompanied by a public report, as required by the Budget Transparency and Accountability Act, but the issuance of this report should not be considered an acceptable substitute for a Supplementary Estimate. The Government used a Supplementary Estimate in September 2000 to approve additional spending for the 2000/01 fiscal year.

We recommend that the Government continue to use Supplementary Estimates in the future for approving additional spending for ongoing operations that is not considered a true emergency.

3. *Attestation by Secretary to Treasury Board:*

This recommendation calls for the Secretary to Treasury Board to attest to the completeness of disclosure, in the budget documents, of material assumptions and policy decisions underlying the forecasts (Recommendation 7). It also calls for him or her to attest to the completeness of any factors that may be included to make the fiscal forecasts different from what the Government believes is the most likely result, and the amount by which the forecasts are adjusted (Recommendation 9). In Budget 2000, the statement by the Secretary to Treasury Board met the spirit of this recommendation. However, the Budget Transparency and Accountability Act only partially reflects this recommendation. It does not require the Secretary to Treasury Board to attest to the completeness of the disclosure required by the Panel's Recommendation 9. We believe that legislating this requirement would ensure the certainty and continuity of this disclosure.

We recommend that the Government propose an amendment to the Budget Transparency and Accountability Act to require the Secretary to Treasury Board to attest to the completeness of disclosure relating to any factors that may be included to make the fiscal forecasts different from what the Government believes is the most likely result, and the amount by which the forecasts are adjusted.

4. *Government Strategic Plan and Annual Report:*

The Budget Transparency and Accountability Act does not explicitly require the Government's strategic plan to include expected results for standard fiscal indicators such as those recommended by the Canadian Institute of Chartered Accountants. We believe these are important elements for a strategic plan and they should therefore be included as recommended by the Panel.

We recommend that the Government propose an amendment to the Budget Transparency and Accountability Act to require its strategic plan to include expected results for standard fiscal indicators such as those recommended by the Canadian Institute of Chartered Accountants.

5. *Generally Accepted Accounting Principles:*

The Panel indicated that the most appropriate basis for reporting government financial information is generally accepted accounting principles (GAAP) for senior governments, established by the Canadian Institute of Chartered Accountants (CICA). It also recognized the need for the Government to have some flexibility in implementing emerging standards that are yet to be codified. The Panel therefore recommended that legislation require the Government to prepare financial information for the Province in accordance with accounting policies that follow GAAP, with any material variance from the written guidance of the CICA explicitly disclosed. This flexibility was to allow for the use of emerging standards where they improve the presentation of financial information, and not to provide unfettered discretion for departing from GAAP as the Government saw fit.

The Government prepares its financial information in accordance with the accounting policies set by the Treasury Board. While most of these policies do comply with GAAP, some such as that discussed under the government reporting entity in note 8 below do not. We think this is inconsistent with the intent of the Panel's recommendation, which called for the Government to establish its accounting policies in accordance with GAAP except in circumstances where an emerging standard, not yet codified by the profession, was considered by the Government (and the Auditor General) to improve financial reporting.

We recommend that the Government propose an amendment to the Budget Transparency and Accountability Act to require the Government to establish its accounting policies in accordance with generally accepted accounting principles for senior governments in Canada.

6. *Reconciling Surplus or Deficit with Changes in Debt:*

This recommendation called upon the Government to explain the increase (or decrease) in the total Provincial debt in relation to its operating results. For example, it is important for the Legislative Assembly and the public to understand why, in the 1999/2000 fiscal year, there was an increase in the total provincial debt of $2.2 billion although the Province had a surplus of $52 million from operations. We acknowledge that a reconciliation of debt and operating results was included in the 2000/01 Estimates, and as an unaudited schedule, in the

1999/2000 Public Accounts. But the Panel believed, and we agree, that the reconciliation should be included as an audited statement in the Summary Financial Statements of the Province.

We recommend that the Government propose an amendment to the Budget Transparency and Accountability Act to require that the audited Summary Financial Statements include a statement that reconciles the annual surplus or deficit with the annual change in debt.

7. Interpretation of Accounting Policies:

The Panel recommended that legislation provide the Auditor General with enhanced authority and responsibility to influence the interpretation of accounting policies. The Panel reasoned that while the Government should continue to have the authority to establish the policies, the Auditor General should be given specific authority to influence the interpretation of those policies in following generally accepted accounting principles. The Government made an amendment to the Auditor General Act to enhance the responsibility of the Auditor General for assessing the appropriateness of accounting policies. But, although the government routinely seeks the view of the Auditor General prior to making significant changes to its accounting policies, it has not yet enhanced the Auditor General's statutory authority in that regard.

As an auditor, the Auditor General has a professional responsibility to assess the fairness of the financial statements presentation on the basis of the most appropriate accounting policies. On the other hand, the Auditor General Act currently requires the Auditor General to express his or her opinion on the basis of the government accounting policies, which may not be the most appropriate. Consequently, this creates a situation that may result in confusing messages to the users of the Government's financial statements, including the Members of the Legislative Assembly.

We believe the Auditor General's authority could be enhanced if the Auditor General Act was amended to confirm the expectation that the Auditor General is to provide an opinion on whether the financial statements of the Province are presented fairly, in accordance with GAAP for senior governments. Currently the Act requires the Auditor General to provide an opinion on the financial statements with reference to the Government's stated accounting policies.

We recommend that the Government propose an amendment to the Auditor General Act that confirms the expectation that the Auditor General is to provide an opinion solely as to whether the Government's financial statements are presented fairly in accordance with generally accepted accounting principles for senior governments.

8. Government Reporting Entity:

The Government has acknowledged that this is one of the most important areas addressed by the Panel. Nevertheless, it has chosen not to legislate the Panel's recommendation that SUCH sector public bodies (school districts, universities, colleges and health authorities) that meet the GAAP criteria be included in the Government's reporting entity, and that both the main Estimates and the Summary Financial Statements be prepared on that basis.

In our view, SUCH sector public bodies meet the GAAP criteria for senior governments established by the CICA, and should therefore be included in the Government's reporting entity. For several years, this matter has drawn a qualification in the Auditor General's opinion on the Summary Financial Statements of the Province because the Province continues to exclude the complete results of the SUCH sector public bodies from its financial statements. This exclusion does not allow the user to see a comprehensive view of all government activities.

We recommend that the Government propose an amendment to the Budget Transparency and Accountability Act to require the inclusion of the SUCH sector public bodies (school districts, universities, colleges and health authorities) in the government's reporting entity, in accordance with generally accepted accounting principles.

9. Accounting Policies for the Estimates:

The BTAA states that the Estimates and Public Accounts must be prepared using the same accounting policies. It therefore follows that financial information with respect to the Consolidated Revenue Fund (CRF) and non-CRF entities should be consolidated in the Estimates at a level consistent with the Summary Financial Statements. We believe this means that all material revenues and expenses of government organizations, as well as estimated financial results of self-supported government business enterprises, must be included in the Estimates.

In its 2000/01 Estimates, the Government did not consolidate the expected revenues and expenses of non-CRF entities, choosing instead to disclose the entities' expected net income. However, the Government has committed to include the expected revenues and expenses for the larger non-CRF entities in its 2001/02 Estimates.

We recommend that the Government show in the Estimates all the financial information (including revenues and expenses of government organizations) required for full disclosure, so that the Estimates are presented on a consistent and comparable basis with the Summary Financial Statements.

Looking to the Future

Progress is being made in British Columbia. The creation of the Budget Process Review Panel and the introduction of the Budget Transparency and Accountability Act have signalled a commitment on the part of the Government to make tangible improvements in how it budgets, manages, measures and reports on its programs and services.

However, legislation itself is no guarantee of success. The task of changing to an open, transparent and performance-based culture is big and important for all involved in the business of government. The Budget Process Review Panel concluded that the substantial changes being sought will not be fully implemented overnight; they will take a number of years. We agree. Successful implementation will require concerted, consistent and continuous leadership and effort from elected and appointed government leaders. In particular, motivated and persistent leadership from government ministers will be essential. These individuals must set the tone from the top, creating an environment that encourages champions and facilitators to emerge from within the administration to support the reform efforts and maintain the momentum.

Developing the Capacity to Achieve Reform

The capacity to anticipate, collect, report and use information about results will need to be developed at every link in the chain of accountability. Government, for instance, will have to develop routines that will allow open and deliberative public participation. Ministries and Crown corporations will have to develop comprehensive performance plans that integrate financial and operational planning. This requires those organizations to have in place the organizational capacity to ensure, for example, the reliability of forecasting and the soundness of financial management practices. And it requires the means and initiatives to find ways of measuring management performance so that results can be managed and reported back to the public.

All of these will require understanding the Legislative Assembly's needs for information, acquiring a good understanding of performance measurement principles and techniques, developing adequate data collection systems, and developing and implementing effective controls on the collection and validation of data. None of these requirements can be met effectively without elected and appointed officials making it a priority to assign personnel with the necessary knowledge, skills and abilities, and to allocate the resources needed for system improvements and modifications.

For its part, the Legislative Assembly will need to consider its own capacity to deal with public participation in an open and deliberative process of scrutinizing the information that the Government will be producing about its planned and actual performance. The Budget Process Review Panel (and others) have recommended a restructuring of the legislative committee system, suggesting the creation of sectoral committees (committees that will focus on key sectors of government responsibilities such as health and education). These committees will need staff to support their work, and information organized for their particular functions.

And, finally, both the Government's internal auditors and our Office will need to develop the capacity to verify the additional accountability information that will be forthcoming. This means having staff with the knowledge, skills and abilities to understand, assess and interpret performance measures, and to assess what is publicly reported.

To meet these capacity challenges at all levels, the Government will need to make suitable investments in time and money for systems improvements, people and training. Only in this way will the move to an open, deliberative governance regime and to a management focus on results be possible.

Furthermore, to ensure that the reform efforts are applied consistently over the next few years, the Government will need to manage those efforts pragmatically, and with a rigorous, structured approach. Such an approach will mean developing a management infrastructure that will coordinate the efforts of all involved in the planning, execution and monitoring of the reform efforts. As for other key initiatives undertaken by the Government, this approach must entail the following elements:

- clear and measurable objectives;
- an organizational structure with clear roles and responsibilities;
- standards to ensure a consistent and integrated process;
- a resource plan addressing financial, staffing, training and systems needs;
- a realistic implementation plan; and
- a monitoring and reporting process.

Our Role in Supporting the Budget Reform Process

We will contribute to these reform efforts by reviewing the Government's efforts in building capacity. We will assess how the Government is organizing itself to manage the process and to what extent it is mobilizing the resources necessary to move to an open, deliberative and results-oriented public sector culture. There is no single agreed-on approach to this challenge, so our review will be informed by the best practices being developed in other jurisdictions that are also seeking more transparent, open and results-focused government.

To support this general review of capacity development, we will examine the performance plans produced by government organizations. Our process will include consulting with those who prepare the plans (government) and those who will receive them, and seeking consensus about the criteria on which plan quality should be assessed. Our goal, through this review, will be to contribute to the continuing development of meaningful, relevant plans. In the same way, we plan to review the annual reports that will be produced by government organizations.

As we encourage the Legislative Assembly and all of government to develop the capacity to deal with changes that the budget process reforms will bring, we too are assessing our own capacity to deal with the challenges we will face through various stages of the reforms, ensuring that we serve the Legislative Assembly and the public effectively. Key questions we are addressing include how we can best support the accountability relationship between the Legislative Assembly and the Government as these reforms unfold, what resources we should be allocating to it, and what level of knowledge, skills and abilities we will require to carry out our work.

An important aspect of our capacity to carry out our work effectively is stipulated by our governing legislation, the Auditor General Act. The current Act was passed in 1976 and is, we believe, outdated. The Auditor General is requesting new legislation that will help us make the changes we need to provide the Legislative Assembly with better audit services. The legislation being requested is based on the fundamental principles of our independence from the Government we audit and our accountability directly to the Legislative Assembly. It enhances the existing Act in three main areas: the scope of audit services, the independence of the audit Office, and our own performance reporting. The details of the legislation being requested will be available soon on our website (http://www.bcauditor.com).

We believe that it is incumbent upon us to demonstrate that we have used our resources and independence in the public interest by being open and fully accountable to the Legislative Assembly. We will achieve this, in part, by enhancing the extent and quality of the information we provide to legislators and the public about our plans and performance. As a start, we intend to present to the Legislative Assembly's Public Accounts Committee our performance plan early in 2001, asking the members of the committee for their advice and for their support.

Appendix A: Detailed Discussion on the Status of the Implementation of the Budget Process Review Panel's Recommendations

For each recommendation made by the Budget Process Review Panel, we first considered whether the Budget Transparency and Accountability Act (BTAA) fulfills the Panel's requirement for legislation. Second, we considered whether the implementation of the Panel's recommendations was consistent with the spirit of those recommendations and statutory provisions. This is indicated by our assessment whether, as at September 2000, the recommendation was:

- implemented,
- partially implemented,
- not satisfactorily acted on, or
- either in progress of being implemented or implementation is expected some time in the future

Pre-budget Consultation Document

The 1st recommendation of the Panel was:

Legislation require that a pre-budget consultation document be publicly released by the Government no later than October 31 of each year as the basis for public pre-budget consultations (see Recommendation 2). The document should update economic and fiscal forecasts from the previous budget and indicate the key issues that need to be addressed in the budget.

Timing—To be implemented at least for the 2001/02 budget (fall of 2000), with consideration given to implementation for 2000/01 (fall of 1999), perhaps delayed by a month or so, as the basis for the Minister of Finance and Corporate Relations' informal pre-budget consultations.

Status

(a) Legislation: Fulfilled in section 2 of the Budget Transparency and Accountability Act (BTAA).

(b) Implementation: The first pre-budget consultation document is due by October 31, 2000.

Pre-Budget Consultation by Select Standing Committee

The 2nd recommendation of the Panel was:

Legislation establish a public pre-budget consultation process undertaken by a select standing committee of the Legislature created for this purpose, with the results reported publicly and to the Minister of Finance and Corporate Relations by December 31. The process should allow for input from interest groups and include opportunities for dialogue with interest groups and the public (round-tables) and mechanisms for public dialogue, such as through web sites and/or large web-based public forums.

Timing—To be implemented for the 2001/02 budget (fall of 2000).

Status

(a) Legislation: Fulfilled in section 3 of BTAA.

(b) Implementation: The first consultation is scheduled to begin in the fall of 2000.

Comments

The BTAA requires that the budget consultation paper be referred to the appropriate select standing committee of the Legislative Assembly. That committee must conduct the consultations it considers appropriate. The BTAA enables the select standing committee to conduct its business regardless of whether the Legislative Assembly is in session.

We believe that these requirements will be particularly useful if the Legislature establishes sectoral committees to conduct budget consultations (see page 23). These committees must be provided with adequate resources to conduct their business efficiently.

Budget Timing

The 3rd recommendation of the Panel was:

Legislation require that an annual budget be introduced by the third Tuesday in March each year, unless that is during an election campaign or less than 30 days after a new Government is sworn in, in which case the budget must be introduced as soon as practicable. If the budget is not passed before an election is called, a new budget may be introduced following the election. This recommendation is not intended to preclude introduction of Supplementary Estimates or a new budget during the course of the year.

Timing—To be implemented for the 2000/01 budget with legislation as soon as possible.

Status

(a) Legislation: Fulfilled, with a slight modification, in section 6 BTAA.

(b) Implementation: Implemented for Budget 2000.

Comments

The BTAA requires that the main Estimates be presented so that the budget debate can be completed in the time allowed by rules governing the conduct of the Assembly's business. It also requires that the Estimates be presented as soon as it is practicable to do so if the Minister of Finance and Corporate Relations believes that presenting them on time is not practical because of a general election, a new Premier taking office, or federal budget delays.

The Government believes the modification is an improvement to the recommended third Tuesday in March, which would have provided a range of budget dates from March 15 to March 21 in different years.

The Government tabled the Estimates for the 2000/01 fiscal year and presented its Budget 2000 on March 27, 2000, which was apparently the earliest practicable date following February 27, 2000, the date that the new Premier took office.

We believe the modified approach of the BTAA is reasonable and will provide regularity in the date of the Budget Day.

Sectoral Legislative Committees

The 4th recommendation of the Panel was that:

The legislative committee system be reformed as proposed by the Public Accounts Committee (creation of sectoral committees that may sit intersessionally) and the legislative committees used for the Estimates debate and review of accountability for results information such as business plans and annual reports. Additional resources will be required and sufficient resources should be allocated so that the committees can be effective.

Timing: To be implemented for the 2000/01 budget (spring 2000).

Status

(a) Legislation: The Panel did not recommend any legislation to deal with this recommendation.

(b) Implementation: Not yet implemented.

Comments

The Government has said that it is prepared to support this recommendation, but indicated that the specifics of legislative reform need to be worked out by the entire Legislature. Despite some efforts this year on the part of the Government and the Official Opposition to develop details of a reformed Estimates debate process, sectoral committees have yet to be established.

The role of sectoral committees is central to the budget process reforms. It is through these committees that legislators and the public will have better opportunities to understand the information provided by the Government to the Assembly, and provide feedback to the Assembly. Many stakeholders, including the Select Standing Committee on Public Accounts, have recommended reforms to the current committee process, such as establishing sectoral committees. In our view, the potential benefits of any information prepared for public scrutiny are unlikely to be realized fully unless the Legislative Assembly has the capacity to use, and seek the public's views of, such information.

We recommend that the Government, and in fact all Members of the Legislative Assembly, intensify efforts to reform the legislative committee system. A possible approach —and one already recommended by the Public Accounts Committee—would be to strike a special all-party legislative committee to review the issue and make recommendations to the Legislative Assembly on how to proceed.

Curbing the Use of Special Warrants

The 5th recommendation of the Panel was:

Supplementary Estimates should be used whenever possible and practical instead of Special Warrants as a more transparent way to deal with requirements for additional expenditure approval during the year. To discourage use of Special Warrants, legislation should require a report to accompany any request for a Special Warrant and be made public when the Special Warrant is approved. The report should state

when the issue arose, what options were considered, why the Special Warrant was chosen and, in the case of a Special Warrant representing more than two percent of total voted expenditure, providing revised fiscal forecasts. However, Special Warrants would still be available for use at the discretion of the Government.

Timing—To be implemented immediately, with legislation as soon as possible.

Status

(a) Legislation: Fulfilled in section 11 of BTAA.

(b) Implementation: Partially implemented.

Comments

The BTAA requires a revised fiscal forecast to accompany any special warrant used, resulting in a consequential amendment to the Financial Administration Act requiring a report as recommended by the Panel. This fulfills the legislative requirement of the Panel. However, the Panel also recommended that special warrants only be used in true emergencies. For the 1999/2000 fiscal year, we note that the Government used a special warrant, not a Supplementary Estimate, to approve additional spending that appeared to be for ongoing government operations for that year. The warrant was accompanied by a public report, as required by the BTAA, but the issuance of this report should not be considered an acceptable substitute for a Supplementary Estimate. The Government used a Supplementary Estimate in September 2000 to approve additional spending for the 2000/01 fiscal year.

We recommend that the Government continue to use Supplementary Estimates in the future for approving additional spending for ongoing operations that is not considered a true emergency.

Economic Forecasting Council

The 6th recommendation of the Panel was:

The Economic Forecasting Council continue to be used as a mechanism to disclose how the budget economic forecast compares to various private sector forecasts developed at the same time.

Timing—Legislation is already in place.

Status

(a) Legislation: Fulfilled in section 4 of BTAA.

(b) Implementation: Implemented. The views of the council were included in the Budget 2000 Report.

Comments

The BTAA formalizes the continuance of the Economic Forecasting Council, which had already been in place under the Financial Administration Act. It does not, however, require that the Council report publicly or define the scope of comparison that must be done. The Secretary to Treasury Board is required under the BTAA to attest that the disclosure requirements enacted therein have been met with respect to the economic and fiscal forecast for the year, the material assumptions and policy decisions, and the advice received from the Economic Forecast Council.

Disclosure of Material Assumptions

The 7th recommendation of the Panel was:

Legislation require that the Government provide, in the budget documents, complete disclosure of all material assumptions and policy decisions underlying the economic, revenue and expenditure forecasts, at least to the level of detail in the 1999/2000 budget.

Timing—To be implemented immediately, with legislation as soon as possible.

Status

(a) Legislation: Fulfilled in section 7(1)(b) of BTAA.

(b) Implementation: Implemented in Budget 2000.

Comments

The major assumptions and policy decisions underlying the economic and fiscal forecasts were included in Tables A1, B7, B9 and B10 of Budget 2000 Report. We have not examined the completeness of those assumptions or evaluated their reasonableness, although the Secretary to Treasury Board has attested to their completeness.

Attestation by the Secretary to Treasury Board

The 8th recommendation of the Panel was:

Legislation require the Secretary to Treasury Board to attest that the completeness of disclosure required by Recommendations 7 and 9 has been achieved. The Secretary would not be required to comment on the reasonableness of the assumptions.

Timing—To be implemented immediately, with legislation as soon as possible.

Status

(a) Legislation: Partially fulfilled in section 7 (1) (d) of BTAA.

(b) Implementation: Implemented in Budget 2000.

Comments

This recommendation calls for the Secretary to Treasury Board to attest to the completeness of disclosure, in the budget documents, of material assumptions and policy decisions underlying the forecasts (Recommendation 7). It also calls him or her to attest to the completeness of any factors that may be included to make the fiscal forecasts different from what the Government believes is the most likely result, and the amount by which the forecasts are adjusted (Recommendation 9). In Budget 2000, the statement by the Secretary to Treasury Board has met the spirit of this recommendation. However, the BTAA only partially reflects this recommendation. It does not require the Secretary to Treasury Board to attest to the completeness of the disclosure required by the Panel's Recommendation 9. We believe that legislating this requirement would ensure the certainty and continuity of this disclosure.

We recommend that the Government propose an amendment to the BTAA to require the Secretary to Treasury Board to attest to the completeness of disclosure relating to any factors that may be included to make the fiscal forecasts different from what the Government believes is the most likely result, and the amount by which the forecasts are adjusted.

Disclosure of Fiscal Forecasts That Differ From Most Likely Forecasts

The 9th recommendation of the Panel was:

> *In addition to the disclosure required by Recommendation 7, legislation specifically require that the budget documents disclose whether any factors have been included to make fiscal forecasts different from what the Government believes is the most likely result and the amount by which forecasts have been adjusted. The legislation should also require that the disclosed information be the subject of debate and approval in the Legislature. While the Panel believes there are good public policy reasons for adjusting both revenue and expenditure forecasts in the name of prudence, it believes the Government should be responsible for deciding whether or not to do so.*
>
> *Timing—To be implemented immediately, with legislation as soon as possible.*

Status

(a) Legislation: Fulfilled in section 7(1)(e) and section 7(2) of the BTAA.

(b) Implementation: Implemented.

Comments

The Government considered the forecast of the summary accounts deficit in Budget 2000 to be the most likely result, except for a $300 million allowance which increased the deficit from the most likely forecast of $978 million to $1,278 million. This information was fully disclosed in the Budget documents.

Government Strategic Plan and Annual Report

The 10th recommendation of the Panel was:

> *Legislation require that the Government publish a long-term strategic plan and annually publish updates to the plan prior to or at the same time as the budget, as the basis for accountability for results for the provincial public sector. This would be a high level document, not a detailed collection of individual business plans. The legislation should require:*
>
> - *the strategic plan to set out the Government's priorities;*
> - *the strategic plan to specify strategic objectives and expected results;*

- *the strategic plan to include expected results for standard fiscal indicators such as those recommended by the Canadian Institute of Chartered Accountants (CICA);*
- *the strategic plan to include a three-year financial plan as the basis for ministry and public body business plans;*
- *the budget and the business plans of ministries and public bodies to be consistent with the strategic plan; and*
- *an annual report for the Province published in or accompanying the Public Accounts that compares actual results for a fiscal year with the strategic plan for that year.*

Timing: To be implemented for the 2001/02 budget.

Status

(a) Legislation: Partially fulfilled in sections 12, 13 and 15 of BTAA.

(b) Implementation: Future action is expected. The first strategic plan is scheduled to be made public before Budget Day 2001.

Comments

The BTAA does not explicitly require the Government's strategic plan to include expected results for standard fiscal indicators such as those recommended by the Canadian Institute of Chartered Accountants (CICA). We note that the BTAA requires the strategic plan to provide a three-year fiscal forecast, but a forecast is not a substitute for a plan.

We recommend that the Government propose an amendment to the BTAA to require its strategic plan to include expected results for standard fiscal indicators such as those recommended by the CICA, as well as explicitly require a three-year government-wide financial plan.

Annual Business Plans and Annual Reports

The 11th recommendation of the Panel was:

Legislation require that all ministries and public bodies in the reporting entity publish:

- *annual three-year business plans, consistent with the strategic plan, that focus on accountability for results by including mission, vision, strategic direction, objectives, performance indicators and expected results (performance targets); and*

- *annual reports that indicate actual results for a year compared to the year's business plan.*

The legislation should:

- *permit the business plan for the coming year to be combined in one document with the annual report for the preceding year;*
- *not require disclosure of information that may affect a ministry or public body's commercial interests; and*
- *require performance indicators to be balanced in the sense that they cover all key objectives. Performance indicators should be quantitatively measurable to the extent possible but where not possible, may include qualitative performance indicators.*

Timing—To be implemented over a five year phase-in period, with additional ministries and public bodies participating each year.

Status

(a) Legislation: Fulfilled in sections 13 and 16 of the BTAA.

(b) Implementation: Government has indicated that all ministries and Crown entities will table three year performance plans by June 30, 2001.

Comments

The BTAA exceeds the Panel's expectations in that it calls for full compliance with these provisions by the 2001/02 budget. The Panel had called for performance plans to be phased in over a five-year period.

All ministries and most Crown entities tabled business (performance) plans in the spring session of the Legislature. We have not yet reviewed or otherwise evaluated the quality of these plans but, as indicated in the main body of this report, we plan to do so in the future.

Standard Key Performance Indicators

The 12th recommendation of the Panel was that:

The Government actively encourage and participate in interjurisdictional efforts to develop standard key performance indicators for the Province as a whole and for specific program areas, and to establish benchmarks for such performance indicators.

Timing: To be implemented immediately.

Status

(a) Legislation: The Panel suggested that this recommendation did not require legislation.

(b) Implementation: The government has indicated that a benchmarking initiative is underway across government to compare the financial and administrative functions to best practices in other jurisdictions. No interjurisdictional initiative with respect to the development of government-wide performance indicators has yet begun.

Comments

We will monitor and report progress in future reports.

Summary Business Information

The 13th recommendation of the Panel was:

Legislation require that the Estimates or another budget document include summary business information (mission, vision, strategic direction, key goals and expected results for the coming year) for major programs provided by ministries and non-commercial Crown corporations (i.e., would not apply to commercial Crown corporations or SUCH sector entities).

Timing—To be implemented over a five-year phase-in period, with additional ministries and public bodies participating each year.

Status

(a) Legislation: Not reflected in the BTAA.

(b) Implementation: To be re-assessed for implementation in the future.

Comments

The Government has declined to include this recommended course of action in the BTAA, saying that business (performance) information will be included in the performance plans and annual reports now required under the BTAA. The Government has, however, said that it will re-assess this recommendation if experience shows such a document would be of benefit.

In our view, the Government position on this recommendation is reasonable. We will review the need for this document next year.

Relaxing Input Controls

The 14th recommendation of the Panel was:

As accountability for results is phased-in and shown to be effective, input controls should be relaxed to add management flexibility to achieve results. The Government should maintain sufficient controls to ensure budgets are effective at limiting expenditure and that financial transactions are appropriate. Existing legislation requiring staffing limits to be included in the Estimates should be amended to support added flexibility and transparency because these limits are ineffective in controlling the size of the provincial public sector tax-supported staffing but do introduce inefficiencies. However, the Panel believes it is important to continue to measure the use of staff resources. Other examples of input controls that could be considered for being relaxed include transfers among expenditure categories, contract approval thresholds and travel approvals.

Timing—By the 2001/02 budget, a plan to reduce input controls over time should be developed and published by the Government.

Status

(a) *Legislation:* The Panel concluded that legislation was not necessary to support this recommendation.

(b) *Implementation:* Government has stated that it agrees with this recommendation and is preparing a plan for the 2001 Budget.

Performance Management Techniques

The 15th recommendation of the Panel was:

Consideration be given to the increased use of performance management techniques for the management of programs and activities throughout the Province but the Panel is not recommending the programs or activities to which performance management should apply, or a specific time frame or approach, as that would be beyond its mandate.

Timing—At the Government's discretion.

Status

(a) Legislation: The Panel concluded that legislation was not necessary to support this recommendation.

(b) Implementation: Government has stated that it agrees with this recommendation, but it has not formally responded as to what action it plans to take.

Comments

We will monitor and report progress in future reports.

Generally Accepted Accounting Principles

The 16th recommendation of the Panel was:

Legislation require that financial information provided by the Government be prepared in accordance with Generally Accepted Accounting Principles, with any material variance from the written guidance of the accounting profession (i.e., the Canadian Institute of Chartered Accountant's Public Sector Accounting and Auditing Handbook) explicitly disclosed. The legislation would continue to require that the Province's accounting policy and practice be established by Treasury Board. That is intended to allow, for example, the continued implementation of full accrual accounting and continued definition of the deficit as the difference between revenues and expenses calculated on an accrual basis.

Timing—To be implemented beginning with the 2000/01 budget, with legislation as soon as possible.

Status

(a) Legislation: Not reflected in the BTAA.

(b) Implementation: Not implemented to our satisfaction.

Comments

The Panel indicated that the most appropriate basis for reporting government financial information is generally accepted accounting principles (GAAP) for senior governments, established by the Canadian Institute of Chartered Accountants (CICA). It also recognized the need for the Government to have some flexibility in implementing emerging standards that are yet to be codified. The Panel therefore recommended that legislation require the Government to prepare financial information for the

Province in accordance with accounting policies that follow GAAP, with any material variance from the written guidance of the CICA explicitly disclosed. This flexibility was to allow for the use of emerging standards where they improve the presentation of financial information, and not to provide unfettered discretion for departing from GAAP as the Government saw fit.

The Government prepares its financial information in accordance with the accounting policies set by the Treasury Board. While most of these policies do comply with GAAP, some such as that discussed under the Panel's 19th recommendation below (government reporting entity) do not. We think this is inconsistent with the intent of the Panel's recommendation, which called for the Government to establish its accounting policies in accordance with GAAP except in circumstances where an emerging standard, not yet codified by the profession, was considered by the Government (and the Auditor General) to improve financial reporting.

We recommend that the Government propose an amendment to the BTAA to require the Government to establish its accounting policies in accordance with generally accepted accounting principles for senior governments in Canada.

Reconciling Surplus or Deficit With Changes in Debt

The 17th recommendation of the Panel was:

Legislation require the summary financial statements to include a statement that reconciles the surplus or deficit with the change in debt.

Timing—To be implemented beginning with the 2000/01 budget, with legislation as soon as possible.

Status

(a) Legislation: Not reflected in the BTAA.

(b) Implementation: Not satisfactorily acted on.

Comments

The purpose of this recommendation is to explain the increase (or decrease) in the total Provincial debt in relation to its operating results. For example, it is important for the Legislative Assembly and the public to understand why, in the 1999/2000

fiscal year, there was an increase in the total provincial debt of $2.2 billion although the Province had a surplus of $52 million from operations. We acknowledge that a reconciliation of debt and operating results was included in the 2000/01 Estimates and, as an unaudited schedule, in the 1999/2000 Public Accounts. But the Panel believed, and we agree, that the reconciliation should be included as an audited statement in the Summary Financial Statements of the Province.

We recommend that the Government propose an amendment to the BTAA to require that the audited Summary Financial Statements include a statement that reconciles the annual surplus or deficit with the annual change in debt.

Interpretation of Accounting Policies

The 18th recommendation of the Panel was:

Legislation provide the Auditor General with enhanced authority and responsibility to influence the interpretation of accounting policy. The legislation would require that the annual report of the Auditor General must include an assessment of whether financial information provided by the Government is prepared in accordance with the most appropriate basis of accounting for the purpose of fair presentation and disclosure of the economic and financial substance of provincial public sector activities. The Auditor General's annual report must also include an analysis of what the impact on the financial information would have been if the most appropriate basis of accounting, in the opinion of the Auditor General, had been used. "The most appropriate basis of accounting" in the Auditor General's opinion would have to be consistent with the requirement in Recommendation 16 that financial information be prepared in accordance with Generally Accepted Accounting Principles. However, simply having financial information prepared in accordance with Generally Accepted Accounting Principles is not sufficient if the Auditor General believes that another basis of accounting that is also in accordance with Generally Accepted Accounting Principles is more appropriate.

Timing—To be implemented immediately, with legislation as soon as possible.

Status

(a) Legislation: Partially fulfilled in the BTAA.

(b) Implementation: Partially implemented.

Comments

The Panel recommended that legislation provide the Auditor General with enhanced authority and responsibility to influence the interpretation of accounting policies. The Panel reasoned that while the Government should continue to have the authority to establish the policies, the Auditor General should be given specific authority to influence the interpretation of those policies in following generally accepted accounting principles. The Government made an amendment to the Auditor General Act to enhance the responsibility of the Auditor General for assessing the appropriateness of accounting policies. But, although the government routinely seeks the view of the Auditor General prior to making significant changes to its accounting policies, it has not yet enhanced the Auditor General's statutory authority in that regard.

As an auditor, the Auditor General has a professional responsibility to assess the fairness of the financial statements presentation on the basis of the most appropriate accounting policies. On the other hand, the Auditor General Act currently requires the Auditor General to express his opinion on the basis of the government accounting policies, which may not be the most appropriate. Consequently, this creates a situation that may result in confusing messages to the users of the Government's financial statements, including the Members of the Legislative Assembly.

We believe the Auditor General's authority could be enhanced if the Auditor General Act was amended to confirm the expectation that the Auditor General is to provide an opinion on whether the financial statements of the Province are presented fairly, in accordance with GAAP for senior governments. Currently the Act requires the Auditor General to provide an opinion on the financial statements with reference to the Government's stated accounting policies.

We recommend that the Government propose an amendment to the Auditor General Act that confirms the expectation that the Auditor General is to provide an opinion solely as to whether the Government's financial statements are presented fairly in accordance with generally accepted accounting principles for senior governments.

Government Reporting Entity

The 19th recommendation of the Panel was:

Legislation require that the reporting and budgeting entity must be the Expanded Summary Entity, which includes the CRF, Crown corporations and other agencies, and those SUCH sector public bodies that meet the Generally Accepted Accounting Principles criteria for inclusion in the entity. The legislation should also be clear that financial information on non-CRF entities should be included in the Estimates and Public Accounts at a summary level only and that this change does not mean that the Legislature is required to vote or approve non-CRF expenditures.

Timing—The budgeting entity should be expanded to be the same as the current reporting entity (i.e., the Summary Entity) for the 2000/01 budget. Beginning with the 2001/02 budget, the budgeting and reporting entities should be expanded together to phase-in inclusion of the SUCH sector, consistent with Generally Accepted Accounting Principles, over several years. During implementation, due consideration should be given to the dual accountability of school districts and any other institutions with elected boards. Developments in public sector accounting in other Canadian jurisdictions and Generally Accepted Accounting Principles may affect the order and timing of the phase-in.

Status

(a) Legislation: Partially reflected in the BTAA.

(b) Implementation: Not satisfactorily acted on.

Comments

The Government has acknowledged that this is one of the most important areas addressed by the Panel. Nevertheless, it has chosen not to legislate the Panel's recommendation that SUCH sector public bodies (school districts, universities, colleges and health authorities) that meet the GAAP criteria be included in the Government's reporting entity, and that both the main Estimates and the Summary Financial Statements be prepared on that basis.

In our view, SUCH sector public bodies meet the GAAP criteria for senior governments established by the CICA, and should therefore be included in the Government's reporting entity. For several years, this matter has drawn a qualification

in the Auditor General's opinion on the Summary Financial Statements of the Province because the Province continues to exclude the complete results of the SUCH sector public bodies from its financial statements. This does not allow the user to see a comprehensive view of all government activities.

We recommend that the Government propose an amendment to the BTAA to require the inclusion of the SUCH sector public bodies (school districts, universities, colleges and health authorities) in the government's reporting entity, in accordance with generally accepted accounting principles.

Accounting Policies for the Estimates

The 20th recommendation of the Panel was:

Legislation require that the Estimates and budget information be prepared in accordance with the Province's accounting policy, including policies on the reporting entity, consolidation and future-oriented financial information. That means, for example, that summary financial statements in budget documents must include both revenues and expenditures of non-commercial Crown corporations and other non-commercial public bodies, such as the SUCH sector institutions (i.e., line-by-line consolidation as required by Generally Accepted Accounting Principles). This, and other recommendations, will place additional resource requirements on TBS and sufficient resources should be allocated.

Timing—To be implemented beginning with the 2000/01 budget, with legislation as soon as possible.

Status

(a) Legislation: Fulfilled in section 5 of the BTAA.

(b) Implementation: Partially implemented.

Comments

The BTAA states that the Estimates and Public Accounts must be prepared using the same accounting policies. It therefore follows that financial information with respect to the Consolidated Revenue Fund (CRF) and non-CRF entities should be consolidated in the Estimates at a level consistent with the Summary Financial Statements. We believe this means that all material revenues and expenses of government organizations, as well as estimated financial results of self-supported government business enterprises, must be included in the Estimates.

In its 2000/01 Estimates, the Government did not consolidate the expected revenues and expenses of non-CRF entities, choosing instead to disclose the entities' expected net income. However, the Government has committed to include the expected revenues and expenses for the larger non-CRF entities in its 2001/02 Estimates.

We recommend that the Government show in the Estimates all the financial information (including revenues and expenses of government organizations) required for full disclosure, so that the Estimates are presented on a consistent and comparable basis with the Summary Financial Statements.

Focus on Summary Reporting Entity

The 21st recommendation of the Panel was:

The focus of discussion of overall financial indicators, such as surplus or deficit, total expenditure, total debt, etc. should be on the Expanded Summary Entity basis to ensure there is only one bottom line. That would mean that, except for the purpose of comparability with current budget plans only over the next two fiscal years, separate summary statements for the CRF would not be included in the Estimates, Public Accounts or accompanying documents. Also, legislation would require that any subtotal of the difference between CRF revenue and expense would be referred to by some term other than deficit or surplus, which would be reserved to describe the overall bottom-line.

Timing—To be implemented beginning with the 2000/01 budget, with legislation as soon as possible.

Status

(a) Legislation: Fulfilled in sections 5(1) and 19(4) of the BTAA.

(b) Implementation: Implemented.

Comments

The Government has clearly discontinued its practice of releasing the audited Consolidated Revenue Fund (CRF) financial statements as part of the Province's financial statements. It has also included financial information about non-CRF entities (though not in insufficient detail) in the Estimates to establish its first summary estimates. However, as we noted under the 19th recommendation, in neither its planning nor reporting models

has the Government used the Expanded Summary Reporting Entity that was recommended by the Panel. Both the Estimates and the Summary Financial Statements exclude the SUCH sector entities.

Gross Basis of Accounting

The 22nd recommendation of the Panel was:

Legislation require summary financial information, especially in the Estimates and Public Accounts, to be presented on both a gross and net basis. That is, the summary statements must at least include an adjustment to present total revenue and total expense on a gross basis, with the form of information supporting that adjustment left to the Government's discretion. Votes would continue to have expenditure approved on a net basis. The adjustment of net revenue to total revenue is not intended to require accounting for foregone revenues and other tax expenditures, although disclosure of estimated tax expenditures in the budget documents is encouraged.

Timing—To be implemented beginning with the 2000/01 budget, with legislation as soon as possible.

Status

(a) Legislation: Partially fulfilled in section 5(2)(c) of the BTAA (deals with Estimates, not Public Accounts).

(b) Implementation: Implemented.

Comments

The BTAA requires summary financial information to be presented in the Estimates on both the gross and net basis, but not in the public accounts. Nevertheless, the Government did present its financial information in the 1999/2000 public accounts on both the gross and net basis.

Transparency, Consistency, and Comparability

The 23rd recommendation of the Panel was:

Legislation apply the principles of transparency, consistency and comparability by requiring that:

- *whenever expected results are disclosed in a plan, the corresponding actual results must be disclosed in a comparable way in a subsequent report, whether that is the Estimates and Public Accounts or a Crown corporation's business plan and annual report;*

- *business plans and annual reports must be comparable across similar organizations;*
- *Quarterly Reports must provide revised fiscal forecasts; and*
- *that all budget process documents must be in plain language and include summaries.*

Timing—To be implemented immediately, with legislation as soon as possible.

Status

(a) Legislation: Fulfilled in sections 10 and 19 of the BTAA.

(b) Implementation: In Progress.

Comments

While the Panel's recommendation called for immediate implementation of the recommended action, certain requirements are dependent on the implementation of other recommendations. For example, the comparison of expected results to actual results will be implemented when annual reports are first produced, which is expected in 2001 for the 1999/2000 fiscal year.

We believe that the Government has made good progress to date in improving the clarity and understandability of budget documents.

We observed that the first quarterly report for the 2000/01 fiscal year was prepared on the same basis as the Government prepares its Summary Financial Statements, and that the report provided the required fiscal forecasts.

Reports and Information Release Dates

The 24th recommendation of the Panel was:

Legislation establish the following specific release-by dates:

Quarterly Reports	*By 60 days after the end of the quarter*
Public Accounts and Government Annual Report	*By the August 31 following the fiscal year end*
Annual Reports of Ministries and Public Bodies	*By 90 days after the public body's fiscal year end*
Business Plans of Ministries and Public Bodies	*If separate from the previous year's Annual Report, by 30 days after the start of the fiscal year*

The legislation should also provide the Comptroller General authority to require financial information from public bodies within timeframes and in the form required by the Comptroller General. Meeting these timelines, especially as the Expanded Summary Entity is phased-in, will require the allocation of appropriate resources to the Comptroller General and by public bodies.

Timing—To be implemented beginning with the 2000/01 budget and 1999/2000 Public Accounts, with legislation as soon as possible.

Status

(a) Legislation: Fulfilled, with some modifications, in sections 9(3), 10(3), 13(2) and (3), 15, 16(2)(c) and (3)(b), 20, 27, 28, 37, and 40 of the BTAA.

(b) Implementation: Largely implemented.

Comments

The release date of the first quarterly report has been set for September 15, which exceeds the 60 days after the end of the quarter as recommended by the Panel. The reason for this modification is that it allows adequate time for the report's preparation after the release of the Public Accounts on August 31. Also, in keeping with the Panel's recommendation that the authority of the Comptroller General be increased to require Crown entities to submit specified financial information, the Government has given the Minister of Finance the responsibility for ensuring that such information is supplied as requested.

We agree with the Government view that the modifications are reasonable. We note that the first quarterly report for the 2000/01 fiscal year was released on schedule and the 1999/2000 Public Accounts were issued on August 24, 2000, a full week ahead of the deadline set in legislation for them.

Capital Budgeting

The 25th recommendation of the Panel was:

Proposed reforms to capital budgeting should be implemented by legislation in accordance with the principles proposed by the Auditor General, including closer integration into the process of developing the operating budget and more disclosure of proposed capital projects, including amounts, objectives, business cases and performance targets for individual major projects. Budget documents should provide

disclosure about ongoing projects and the amount approved for new projects but need not provide details of new projects not yet announced. Disclosure for those projects should be made when they are announced.

Timing—To be implemented at least by the 2001/02 budget.

Status

(a) Legislation: Partly fulfilled in sections 8, 13(4) and 14 of the BTAA.

(b) Implementation: In Progress.

Comments

The Government agrees with the need for a better linkage between the capital plans and its fiscal plan. However, it does not think it is necessary for the budget process to be legally required to link long-term ministry capital budgeting with ministry performance plans and the Government's fiscal plan. Rather, it believes the disclosure requirements for each plan and the annual capital project summary will provide that linkage.

We will monitor and report its progress next year.

Monitoring Progress of Implementation

The 26th recommendation of the Panel was:

Legislation should require the Government and the Auditor General to both report annually to the Legislature on the implementation of this report, until implementation is complete and should require a scheduled independent review of the budget process in eight to ten years.

Timing—Reports required by September 30 of each year beginning in 2000.

Status

(a) Legislation: Fulfilled in section 21 of the BTAA

(b) Implementation: Implemented.

Appendix B: Budget Transparency and Accountability Act

2000 Legislative Session: 4th Session, 36th Parliament
THIRD READING

This is taken from the electronic version of the Bill
The printed version remains the official version.

Certified correct as passed Third Reading
on the 6th day of July, 2000
Ian D. Izard, Law Clerk

HONOURABLE PAUL RAMSEY
MINISTER OF FINANCE AND
CORPORATE RELATIONS

BILL 2 – 2000
BUDGET TRANSPARENCY AND ACCOUNTABILITY ACT
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HER MAJESTY, by and with the advice and consent of the Legislative Assembly of the Province of British Columbia, enacts as follows:

Definitions and interpretation

1 (1) In this Act:

"government organization" means a corporation or other organization that is within the government reporting entity, other than the government itself;

"government reporting entity" means

(a) the government as reported through the consolidated revenue fund,

(b) government corporations, other than corporations that are

(i) referred to in paragraph (b), (c), (c.1) or (c.2) of the definition of "government body" in the Financial Administration Act,

(ii) government corporations solely by reason of being under an Act an agent of the government, or

(iii) prescribed as being excluded under section 24 (2) (d), and

(c) other organizations prescribed as being included under section 24 (2) (d);

"minister" means

(a) a member of the Executive Council,

(b) in the case of a reference to "the minister", the minister assigned responsibility for the administration of the provision, or

(c) in the case of a reference to "responsible minister", the minister who is the appropriate minister within the meaning of section 24 of the Financial Administration Act;

"ministry" means

(a) a ministry of the executive government of British Columbia, or

(b) any part of the executive government of British Columbia not within a ministry that is designated by the Lieutenant Governor in Council as a ministry for the purposes of this Act;

"public accounts" means the public accounts under section 9;

"quarterly report" means a report under section 10;

"secretary to Treasury Board" means

(a) the person appointed under section 3 (2) of the Financial Administration Act, or

(b) if no person is appointed under that provision, the deputy minister to the minister;

"self-supported government enterprise" means a corporation that

(a) is within the government reporting entity,

(b) is carrying on a business,

(c) provides goods and services to persons outside the government reporting entity as its principal activity, and

(d) in the normal course of its operations, maintains its operations and meets its liabilities substantially from revenue from sources outside the government reporting entity;

"staff utilization" means, for a fiscal year, the full time equivalent of the number of persons employed in the fiscal year whose salaries are paid directly by the taxpayer-supported government reporting entity;

"taxpayer-supported government reporting entity" means the government reporting entity excluding self-supported government enterprises.

(2) To the extent that this Act or regulations under this Act do not otherwise define a word or expression used in this Act, the definitions in the Financial Administration Act apply.

(3) Where this Act refers to an action of the government reporting entity, or of the taxpayer-supported government reporting entity, the reference is to be read as an action of the government or of one or more government organizations included within the entity, or both, as applicable.

Part 1 — Fiscal Plan: Budget and Estimates

Budget consultation paper

2 (1) Not later than October 31 in each year, the minister must make public a budget consultation paper.

(2) The consultation paper must

(a) present a fiscal forecast, including a description of the major economic and policy assumptions underlying that forecast, for the government reporting entity,

(b) indicate the key issues that the minister considers need to be addressed in the next budget, and

(c) include information on how members of the public may provide their views on those issues.

Consultation by select standing committee

3 (1) On being made public, the budget consultation paper under section 2 stands referred to the appropriate select standing committee of the Legislative Assembly.

(2) Not later than December 31 in the year, the select standing committee to which the budget consultation paper is referred must conduct consultations as it considers appropriate and make public a report on the results of those consultations.

(3) For the purposes of this section, the select standing committee may meet and conduct its business regardless of whether or not the Legislative Assembly is in session.

Economic Forecast Council

4 (1) The Economic Forecast Council is continued for the purpose of advising the minister on economic growth forecasts.

(2) The council consists of at least 12 persons appointed by order of the minister and selected for their knowledge of the economy of British Columbia and their expertise in economic analysis and forecasting.

(3) An employee of the government reporting entity is not eligible for appointment under subsection (2).

(4) Subject to subsection (5), the members of the council hold office for a term of at least 3 years, to be set by the minister.

(5) A member who is identified in the appointment order by reference to his or her position in an organization ceases to be a member if he or she ceases to hold that position in that organization.

(6) The members may be paid reasonable and necessary expenses that arise directly out of the performance of their duties as council members.

(7) The minister may receive nominations from the public of British Columbia for appointment to the council as referred to in subsection (2).

Estimates content

5 (1) The main estimates for a fiscal year must be prepared in accordance with this section and with the accounting policies as established by Treasury Board.

(2) The main estimates for a fiscal year must include the following:

(a) for the government, the proposed Supply Act appropriations for the fiscal year;

(b) for the government reporting entity, for both the fiscal year and the preceding fiscal year,

(i) a statement of the forecast revenues and expenses and the resulting forecast surplus or deficit, and

(ii) schedules of

(A) a reconciliation of that surplus or deficit with the forecast change in debt,

(B) a forecast of the balance sheet as at the end of each of those fiscal years, and

(C) a forecast of total revenues and total expenses, before netting of revenues against expenses or expenses against revenue;

(c) for the taxpayer-supported government reporting entity, for the fiscal year and for the preceding fiscal year, a forecast of staff utilization;

(d) for government organizations that are not self-supported government enterprises, the forecast of revenues and expenses for each organization whose revenues or expenses are of a material amount in the fiscal year and the preceding fiscal year;

(e) a summary of the accounting policies of the government reporting entity as established by Treasury Board and disclosure of any material variance of those policies from generally accepted accounting principles for senior governments in Canada;

(f) any other information the minister considers appropriate.

(3) Nothing in this section requires the Legislative Assembly to vote appropriations other than in respect of the consolidated revenue fund.

When estimates are to be presented

6 (1) Subject to subsection (2), the minister must present the main estimates for a fiscal year to the Legislative Assembly

(a) at the same time as the budget for the fiscal year, and

(b) such that the budget debate can reasonably be anticipated to be completed in accordance with the Standing Orders of the Legislative Assembly before the start of that fiscal year.

(2) If, in the opinion of the minister, compliance with subsection (1) is not practicable because

(a) a general election is underway or has recently been completed,

(b) a new Premier has taken office after February 15 in the fiscal year, or

(c) a federal budget

(i) has been presented after February 15, and

(ii) has materially changed the fiscal forecast for the government reporting entity for the next fiscal year,

the main estimates for that fiscal year must be presented as soon as reasonably practicable.

Economic and fiscal forecasts

7 (1) At the same time that the main estimates for a fiscal year are presented, the minister must also present the following to the Legislative Assembly:

(a) the economic and fiscal forecasts for that year;

(b) a statement of all material assumptions and policy decisions underlying the economic and fiscal forecasts for that year;

(c) a report on the advice received from the Economic Forecast Council under section 4, including the range of economic forecasts for the calendar year in which those estimates are presented and for the following calendar year;

(d) a statement, signed by the secretary to Treasury Board, that the disclosure requirements under paragraphs (a) to (c) have been met or explaining how those requirements have not been met;

(e) if the fiscal forecast is different from what the minister believes is the most likely fiscal result, a statement of adjustments to that result.

(2) The minister must, in the preamble to the final Supply Bill for the main estimates for a fiscal year, propose to include a reference to the adjustment statement under subsection (1) (e).

Major capital project information to be presented with the estimates

8 (1) Subject to section 19 (5) [exception if disclosure would be harmful], for any project where the government reporting entity, directly or indirectly,

(a) has made commitments, or

(b) anticipates making commitments

that will, in total, exceed $50 million towards the capital cost of the project, the minister must present to the Legislative Assembly, at the same time that the main estimates are presented, a statement of the current and anticipated total cost to the entity in relation to the capital cost of the project.

(2) For the purposes of subsection (1), a commitment includes

(a) the amount of any money,

(b) the value of any land, facilities, rights or other benefits, and

(c) the amount of any guarantees,

contributed, made in respect of or otherwise provided, or anticipated to be provided, by the government reporting entity towards the capital cost of the project.

(3) The obligation under subsection (1) ends when no further cost to the government reporting entity in relation to the capital cost of the project is anticipated.

Part 2 – Fiscal Reports: Public Accounts and Other Reports

Public accounts

9 (1) Annual public accounts for each fiscal year must be prepared in accordance with this section and with the accounting policies as established by Treasury Board.

(2) The public accounts for a fiscal year must include the following:

(a) for the government reporting entity, for the fiscal year and the preceding fiscal year, financial statements of

(i) the revenues and expenses and the resulting surplus or deficit,

(ii) the balance sheet as at the end of those fiscal years, and

(iii) changes in cash and temporary investments;

(b) for the government reporting entity, a supplementary schedule that includes amounts held and administered in trust;

(c) for the taxpayer-supported government reporting entity,

(i) a statement of the debt guaranteed by that entity as at the end of the fiscal year, and

(ii) a supplementary schedule that includes staff utilization for that fiscal year;

(d) for the government as reported through the consolidated revenue fund, supplementary schedules that include

(i) appropriations for the fiscal year compared to the actual expenditures for that fiscal year,

(ii) assets, debts and obligations written off in that fiscal year under section 17 of the Financial Administration Act,

(iii) debts and obligations forgiven in that fiscal year under section 18 of the Financial Administration Act,

(iv) remissions made in that fiscal year under section 19 of the Financial Administration Act, and

(v) information required by
section 25 (2) [amounts received by government],
section 26 (3) [liabilities in excess of appropriation],
section 70 (2) and (3) [borrowing transactions and leases], and
section 74 (3) [payments on guarantees and indemnities]
of the Financial Administration Act;

(e) a summary of the accounting policies of the government reporting entity as established by Treasury Board and disclosure of any material variance of those policies from generally accepted accounting principles for senior governments in Canada;

(f) other information required to be included in the public accounts by Treasury Board or by this or any other Act;

(g) other information the minister considers appropriate;

(h) the report of the Auditor General as required by section 10 of the Auditor General Act.

(3) By August 31 in each year, the minister must make public the public accounts for the previous fiscal year.

Quarterly reports

10 (1) Quarterly reports must be prepared in accordance with this section and with the accounting policies as established by Treasury Board.

(2) Each quarterly report must include the following:

(a) for the government reporting entity, statements of

(i) the revenues and expenses, and the resulting surplus or deficit, for the period from April 1 in the fiscal year to which the report applies to the end of the quarter to which the report applies,

(ii) the debt at the end of the quarter to which the report applies, and

(iii) in respect of the items referred to in subparagraphs (i) and (ii),

(A) the anticipated amounts, in respect of that fiscal year, through that quarter, and

(B) the actual amounts, in respect of the previous fiscal year, through the comparable quarter;

(b) for the government reporting entity, statements of

(i) the forecast of revenues and expenses and the resulting surplus or deficit for the fiscal year to which the quarterly report applies,

(ii) the forecast of the debt as at the end of that fiscal year, and

(iii) in respect of the items referred to in subparagraphs (i) and (ii),

(A) the amounts provided in the estimates in respect of that fiscal year, and

(B) the actual amounts in respect of the previous fiscal year;

(c) a supplementary schedule that presents a forecast of staff utilization of the taxpayer-supported government reporting entity for the fiscal year to which the quarterly report applies;

(d) other information the minister considers appropriate.

(3) A quarterly report must be made public on or before

(a) September 15, in respect of the first 3 months of the fiscal year,

(b) November 30, in respect of the first 6 months of the fiscal year,

(c) February 28, in respect of the first 9 months of the fiscal year, and

(d) May 31, in respect of the preceding fiscal year, if estimates for the current fiscal year have not been presented to the Legislative Assembly by that date.

Additional disclosure reports in relation to special warrants

11 (1) If a special warrant is issued under section 24 (2) of the Financial Administration Act in respect of appropriations for a fiscal year in amounts that are additional to those appropriated by a Supply Act for the fiscal year, within 2

days after the special warrant is issued, the minister must make public a revised forecast of revenue and expense for the government reporting entity for that fiscal year.

(2) A revised forecast is not required under subsection (1) if a quarterly report has been made public within 30 days before the date that the special warrant is issued.

Part 3 — Performance Plans

Government strategic plan

12 On or before the date when the main estimates are presented to the Legislative Assembly, a minister must make public strategic plan documents that

(a) set out the government's priorities,

(b) identify specific objectives and expected results,

(c) provide a fiscal forecast for the government reporting entity for the fiscal year for which the estimates are presented and the following 2 fiscal years, including a description of the major economic and policy assumptions underlying that forecast, and

(d) present other information that minister considers appropriate.

Performance plans for ministries and government organizations

13 (1) Annual performance plans for each ministry and each government organization must be made public in accordance with this section.

(2) In the case of a performance plan for a ministry, the plan must

(a) cover the ministry and other appropriations of the responsible minister,

(b) be made public by the responsible minister by April 30 in each fiscal year, and

(c) address that fiscal year and the following 2 fiscal years.

(3) In the case of a performance plan for a government organization, the plan must

(a) be made public by the responsible minister by April 30 in each fiscal year of the organization, and

(b) address that fiscal year and the following 2 fiscal years.

(4) Subject to section 19 (5) [exception if disclosure would be harmful], a performance plan under this section must be consistent with the current government strategic plan and must

(a) include a statement of goals,

(b) identify specific objectives and performance measures,

(c) in relation to a project to which section 14 [major capital project plans] applies, include the information required under that section,

(d) present other prescribed information, if applicable, and

(e) include other information the responsible minister or government organization considers appropriate.

Major capital project plans to be made public at time of commitment

14 Subject to section 19 (5) [exception if disclosure would be harmful], within one month after commitments have been made such that statements of cost under section 8 [major capital project information to be presented with the estimates] are required with the next main estimates, the responsible minister in relation to the project must make public a major capital project plan stating

(a) the objectives of the project,

(b) the costs and benefits for the project, and

(c) the risks associated with those costs and benefits.

Part 4 — Performance Reports

Annual report on government strategic plan

15 On or before the date when the public accounts are made public, a minister must make public an annual report that, for the fiscal year of the public accounts, compares actual results of the government's strategic plan under section 12 with the expected results of the strategic plan for that fiscal year.

Annual reports for ministries and government organizations

16(1) Annual reports for each ministry and each government organization must be made public in accordance with this section.

(2) In the case of an annual report for a ministry, the report must

(a) cover the ministry and other appropriations of the responsible minister,

(b) compare actual results for the preceding fiscal year with the expected results identified in the performance plan under section 13 for that fiscal year, and

(c) be made public by the responsible minister by June 30 in the current fiscal year.

(3) In the case of an annual report for a government organization, the plan must

(a) compare actual results for the preceding fiscal year with the expected results identified in the performance plan under section 13 for that fiscal year, and

(b) be made public by the responsible minister by the earlier of June 30 and 4 months after the end of the preceding fiscal year of the government organization.

(4) If another Act requires a responsible minister to present a report to the Legislative Assembly respecting the activities of a ministry or government organization for a fiscal year, the report under this section satisfies that requirement subject to any additional reporting requirements established by the other Act.

(5) An annual report under this section may be combined with a performance plan under section 13, so long as the performance plan is made public in accordance with that section.

Part 5 — General

Non-compliance statements

17 If a document required to be made public under this Act

(a) is not made public within the required time,

(b) does not include all the required information, or

(c) does not present the information in the required manner,

then, at the time the document is required to be made public, the responsible minister must make public a written statement giving the reasons for the non-compliance.

Making documents public

18 (1) If a person is required to make a document public under this Act, the person meets that obligation by

(a) laying the document before the Legislative Assembly, and

(b) making the document available to the general public in a reasonable manner, which may include by electronic means.

(2) If the Legislative Assembly is not sitting at the applicable time, the obligation under subsection (1) (a) is met by filing the document with the Clerk of the Legislative Assembly.

Disclosure requirements

19 (1) The disclosure requirements under this Act are additional to any other requirements established by another Act.

(2) In preparing documents to be made public under this Act, all reasonable efforts must be made to present the information in a form and language that is as precise and as readily understandable as practicable.

(3) To the extent reasonably possible,

(a) if this Act requires information to be made public respecting planning and later respecting results in relation to the same matter, the information must be presented in a readily comparable manner, and

(b) the information contained in a performance plan and annual report under this Act for one organization must be readily comparable to information contained in the performance plans and annual reports of other organizations to which this Act applies.

(4) The terms "surplus" and "deficit" must not be used in a document required to be made public under this Act to refer to the surplus or deficit of the consolidated revenue fund.

(5) Despite any other provision of this Act, disclosure of specific information

(a) is not required, if the information would not be required to be disclosed under the Freedom of Information and Protection of Privacy Act, and

(b) is prohibited, if the information would be prohibited from being disclosed under that Act.

Government organizations must provide required information

20 (1) Government organizations must provide

(a) in the case of performance plans, major capital project plans and annual reports, the minister who is the responsible minister in relation to those plans and reports, and

(b) in other cases, the minister assigned responsibility for the administration of this Act,

with the documents and other information required for that minister to comply with the requirements of this Act.

(2) Without limiting subsection (1), for the purposes of this Act, the applicable minister may require a government organization to provide information as requested by that minister and may establish a date by which the information must be provided.

(3) If information is required under subsection (2), the government organization must provide the information to the applicable minister

(a) by the date established under subsection (2), or

(b) if no date is established, as soon as reasonably practicable.

(4) If a government organization does not provide the information required or requested in accordance with this section, a person authorized in writing by the applicable minister may examine the books, records of account, documents and other records of the government organization for the purpose of obtaining the information.

(5) If an examination is authorized under subsection (4), the government organization and every officer and employee of it must take all necessary steps to

(a) make available the facilities and records of the organization, and

(b) assist in the conduct of the examination.

(6) A person must not hinder or obstruct the person conducting an examination under subsection (4).

Budget process review

21 (1) By September 30 in each year, the minister and the Auditor General must each make public a report on the implementation of the recommendations made by the Final Report of the Budget Process Review Panel, as submitted to the Speaker of the Legislative Assembly.

(2) The obligations of the minister under subsection (1) in relation to a recommendation in the Final Report end when

(a) in the opinion of the minister, the recommendation has been implemented, or

(b) a report of the minister under that subsection states that the recommendation will not be implemented by the government.

(3) The obligations of the Auditor General under subsection (1) in relation to a recommendation in the Final Report end when, in the opinion of the Auditor General,

(a) the recommendation has been implemented, or

(b) a report of the minister referred to in subsection (2) (b) makes further comment by the Auditor General unnecessary.

(4) By April 30, 2009, the minister must appoint a panel to review the budget process, scope of the budget and information provided in the budget plan.

(5) The report under subsection (4) must be made public by September 30, 2009.

Legal proceedings

22 (1) No action or other proceeding may be brought in respect of an obligation established by or under this Act, except for an obligation under section 20 [government organizations must provide required information].

(2) Section 5 of the Offence Act does not apply to this Act.

Treasury Board authority

23 Without limiting its authority under the Financial Administration Act, for the purposes of this Act, Treasury Board may make regulations or issue directives respecting

(a) accounting policies and practices for the government reporting entity, and

(b) subject to any regulations under section 24, the form and content of documents required to be made public under this Act.

Regulation making authority

24 (1) The Lieutenant Governor in Council may make regulations referred to in section 41 of the Interpretation Act.

(2) Without limiting subsection (1), the Lieutenant Governor in Council may make regulations as follows:

(a) defining a word or expression used in this Act;

(b) prescribing information that must be included in a performance plan under section 13;

(c) on the recommendation of the minister after consultation with the Auditor General, exempting a government organization from the application of one or more of sections 13 [performance plans], 14 [major capital project plans] and 16 [annual reports];

(d) on the recommendation of the minister after consultation with the Auditor General, excluding an organization from or including an organization in the government reporting entity.

(3) If a regulation under subsection (2) (c) or (d) is made, the minister must make public as soon as practicable a statement of the reasons for making the recommendation.

Consequential and Related Amendments

Auditor General Act

25 Section 10 of the Auditor General Act, R.S.B.C. 1996, c. 23, is repealed and the following substituted:

Report on financial statements and public accounts

10 (1) The Auditor General must report annually to the Legislative Assembly on the financial statements of the government reporting entity under the Budget Transparency and Accountability Act.

(2) The report must state

(a) whether all of the information and explanations required by the Auditor General have been received, and

(b) whether, in the opinion of the Auditor General, the financial statements

(i) present fairly the financial position, results of operations and changes in financial position of the government reporting entity in accordance with the stated accounting policies, and

(ii) are on a basis consistent with that of the preceding year.

(3) If the report of the Auditor General does not contain the unqualified opinion required under this section, the Auditor General must state the reasons why.

26 Section 11 (2) is repealed and the following substituted:

(2) In the report the Auditor General must also include

(a) an assessment of whether the financial statements of the government reporting entity are prepared in accordance with the most appropriate basis of accounting for the purpose of fair presentation and disclosure, and

(b) if, in the opinion of the Auditor General, the financial statements were not prepared in accordance with the most appropriate basis of accounting, an analysis of what the impact on the statements would have been if that basis had been used.

(3) In the report the Auditor General may also include an assessment of whether a program being administered by a ministry is being administered economically and efficiently.

British Columbia Railway Act

27 Section 5 of the British Columbia Railway Act, R.S.B.C. 1996, c. 36, is amended by adding the following subsection:

(3) A subsidiary as defined in section 1 of this Act is a government corporation for the purposes of the Budget Transparency and Accountability Act.

Columbia Basin Trust Act

28 Section 14 (2) of the Columbia Basin Trust Act, R.S.B.C. 1996, c. 53, is repealed and the following substituted:

(2) The Financial Administration Act and the Budget Transparency and Accountability Act apply to the

corporation as if the corporation were a government corporation.

Financial Administration Act

29 Section 1 of the Financial Administration Act, R.S.B.C. 1996, c. 138, is amended by adding the following definitions:

"estimates" means the estimates of revenue and expenditure for a fiscal year presented to the Legislative Assembly, being

(a) the main estimates presented annually, and

(b) any supplementary estimates for the fiscal year;

"public accounts" means the public accounts under section 9 of the Budget Transparency and Accountability Act; .

30 Section 4 (1) (a) is repealed and the following substituted:

(a) accounting policies and practices; .

31 Section 5 (3) is repealed.

32 Section 9 (f) is repealed and the following substituted:

(f) prepare the public accounts and any other financial statements and reports required of the Comptroller General by the Minister of Finance and Corporate Relations or Treasury Board; .

33 Sections 10, 11, 11.1 and 11.2 are repealed.

34 Section 23 (1) is repealed.

35 Section 24 is amended by adding the following subsection:

(2.1) If a special warrant is issued for an expenditure that is additional to amounts already appropriated for the current fiscal year, within 2 days after the special warrant is issued the appropriate minister must make public in accordance with the Budget Transparency and Accountability Act a report that

(a) indicates when the minister became aware that the expenditure would be required,

(b) identifies the options that were considered by the minister in relation to the matter, and

(c) why the option of a special warrant was chosen.

36 Section 26 (3) (b) is repealed and the following substituted:

(b) must be reported in the public accounts for the fiscal year in which the expenditure occurred.

Financial Information Act

37 Section 2 of the Financial Information Act, R.S.B.C. 1996, c. 140, is repealed and the following substituted:

Statement of financial information

2 (1) A corporation must prepare statements of financial information in accordance with this section in a form and containing information prescribed by the Lieutenant Governor in Council.

(2) Within 3 months after the end of each fiscal year of a corporation, it must prepare a statement of financial information for that fiscal year that includes the following:

(a) a statement of assets and liabilities;

(b) an operational statement;

(c) a schedule of debts;

(d) a schedule of guarantee and indemnity agreements.

(3) Within 6 months after the end of each fiscal year of a corporation, it must prepare a statement of financial information for that fiscal year that includes the following:

(a) a schedule showing

(i) in respect of each employee earning more than a prescribed amount, the total remuneration paid to the employee and total amount paid for the employee's expenses, and

(ii) a consolidated total of all remuneration paid to all other employees;

(b) a schedule showing

(i) the total amount paid to each supplier of goods or services during the fiscal year that is greater than a prescribed amount, and

(ii) a consolidated total of all other payments made to suppliers of goods or services during that fiscal year.

(4) A corporation must

(a) keep in its office copies of the financial information statements prepared under this section, and

(b) make a copy available at its head office during usual business hours for inspection by any person.

(5) On the request of the minister and without charge, a corporation must supply the statements of financial information prepared under this section to the minister or to any person whom the Minister of Finance and Corporate Relations requests be supplied with that statement.

(6) If requested by a member of the public, a corporation must provide a copy of a statement of financial information prepared under this section on payment of the prescribed fee.

38 Section 4 (1) (b) is amended by striking out "the statement of financial information" and substituting "a statement of financial information".

39 Section 5 (2) (b) and (c) is repealed and the following substituted:

(b) determining the minimum financial limits and classifications for the reporting under section 2 (3) (a) and (b);

(c) prescribing fees for the purposes of section 2 (6); .

Hydro and Power Authority Act

40 Section 32 (7) of the Hydro and Power Authority Act, R.S.B.C. 1996, c. 212, is amended by adding the following paragraph:

(b.1) the Budget Transparency and Accountability Act; .

Ministry of Agriculture and Food Act

41 Section 8 of the Ministry of Agriculture and Food Act, R.S.B.C. 1996, c. 296, is repealed.

Ministry of Consumer and Corporate Affairs Act

42 Section 5 of the Ministry of Consumer and Corporate Affairs Act, R.S.B.C. 1996, c. 297, is repealed.

Ministry of Energy, Mines and Petroleum Resources Act

43 Section 22 of the Ministry of Energy, Mines and Petroleum Resources Act, R.S.B.C. 1996, c. 298, is repealed.

Ministry of Environment Act

44 Section 7 of the Ministry of Environment Act, R.S.B.C. 1996, c. 299, is repealed.

Ministry of Health Act

45 Section 6 of the Ministry of Health Act, R.S.B.C. 1996, c. 301, is repealed.

Ministry of Industry and Small Business Development Act

46 Section 4 of the Ministry of Industry and Small Business Development Act, R.S.B.C. 1996, c. 302, is repealed.

Ministry of Intergovernmental Relations Act

47 Section 5 of the Ministry of Intergovernmental Relations Act, R.S.B.C. 1996, c. 303, is repealed.

Ministry of International Business and Immigration Act

48 Section 6 of the Ministry of International Business and Immigration Act, R.S.B.C. 1996, c. 304, is repealed.

Ministry of International Trade, Science and Investment Act

49 Section 4 of the Ministry of International Trade, Science and Investment Act, R.S.B.C. 1996, c. 305, is repealed.

Ministry of Lands, Parks and Housing Act

50 Section 4 of the Ministry of Lands, Parks and Housing Act, R.S.B.C. 1996, c. 307, is repealed.

Ministry of Provincial Secretary and Government Services Act

51 Section 8 of the Ministry of Provincial Secretary and Government Services Act, R.S.B.C. 1996, c. 309, is repealed.

Staged implementation

52 The following sections first apply for the purposes of the 2001–2002 fiscal year:

section 8 [major capital project information];

section 12 [government strategic plan];

section 13 [performance plans for ministries and government organizations];

section 15 [annual report on government strategic plan];

section 16 [annual reports for ministries and government organizations].

Commencement

53 (1) Section 14 [major capital project plans] comes into force on October 1, 2000.

(2) Sections 41 to 51 [repeal of annual ministry reports under other Acts] come into force on March 31, 2002.

Appendix C: What Has Been Reported—Reports on the Internet

Much of the advice that has been given to government on accountability is publicly available. To learn more, refer to the documents located at the following websites:

http://www.bcauditor.com/

- Enhancing Accountability for Performance in the British Columbia Public Sector, Auditor General of British Columbia and Deputy Ministers' Council, June 1995
- Enhancing Accountability for Performance: A Framework and An Implementation Plan, Auditor General of British Columbia and Deputy Ministers' Council, April 1996
- Enhancing Accountability for Performance in the British Columbia Public Sector: A Progress Report to the Legislative Assembly, Auditor General of British Columbia and Deputy Ministers' Council, Spring 1997
- A Review of the Estimates Process in British Columbia, Auditor General of British Columbia, February 1999
- Towards a More Accountable Government: Putting Ideas Into Practice, Auditor General of British Columbia, March 2000

This information can also be obtained by contacting the Office of the Auditor General of British Columbia.

http://www.legis.gov.bc.ca/

- Enhancing Accountability for Performance in the British Columbia Public Sector, Second Report of the Select Standing Committee on Public Accounts, 4th Session, 35th Parliament, January 31, 1996
- Enhancing Accountability for Performance in the British Columbia Public Sector, First Report of the Select Standing Committee on Public Accounts, 1st Session, 36th Parliament, August 13, 1996

This information can also be obtained by contacting the Clerk of Committees at the Legislative Assembly of British Columbia.

http://www.reviewpanel.gov.bc.ca/

- Credibility, Transparency & Accountability: Improving the B.C. Budget Process, Final Report of the Budget Process Review Panel, September 27, 1999

This information can also be obtained by contacting the Ministry of Finance and Corporate Relations.

Appendix D: Summary of Recommendations from the Second Report of the Select Standing Committee on Public Accounts, January 31, 1996

Of the 10 recommendations made by the Select Standing Committee on Public Accounts, with respect to enhancing accountability for performance in the British Columbia public sector: four focused on the information that government should report to the Assembly; four addressed the way in which legislative committees should hold government accountable; and the remaining two discussed Estimates as part of an accountability process.

Recommendation #1

Your Committee supports the initiatives of the Auditor General and Council of Deputy Ministers with respect to enhancing accountability and recommends that the Government of British Columbia publicly provide, on a timely basis:

a) information about the short and long-term plans and goals of government ministries and Crown corporations, including their respective programs and past performance; and

b) information about the results achieved, allowing comparison between the actual and planned performance of government ministries and Crown corporations.

Recommendation #2

Your Committee recommends that the Government of British Columbia consider how best to make use of emerging technologies to make accountability information accessible to the public at a reasonable cost.

Recommendation #3

Your Committee recommends that the Government of British Columbia pursue ways of providing information on a sectoral basis.

Recommendation #4

Your Committee recommends that the Government of British Columbia consider how it could best provide information to users of government programs and services with respect to the standards of service it intends to deliver.

Recommendation #5

Your Committee recommends that the number of Select Standing Committees be realigned to provide for a Committee on Public Accounts; Standing Orders, Privileges and Private Bills; and such other Committees deemed appropriate to consider government ministry and Crown corporation programs by sector.

Recommendation #6

Your Committee recommends that the new sectoral Committees of the Legislative Assembly be used consistently and with an expanded terms of reference, enabling a more thorough review of matters referred to them.

Recommendation #7

Your Committee recommends that the Select Standing Committees of the House be established for the duration of a Parliament with the ability to meet intersessionally, and that all Members of the Legislative Assembly have the opportunity to attend any meeting of any Select Standing Committee examining a ministry or Crown corporation program and, in consultation with the Chairperson, be permitted time to enter debate on the issues under discussion.

Recommendation #8

Your Committee recommends that the short and long-term plans and annual reports of government ministries and Crown Corporations, once tabled in the House, stand referred to the appropriate legislative committee.

Recommendation #9

Your Committee recommends that the Legislative Assembly review the entire Estimates process, including proposals to replace the current practice with one which is more responsive, accountable and expeditious and that incorporates multi-year budgets and single-year appropriations.

Recommendation #10

Your Committee recommends that the Standing Orders of the Legislative Assembly and relevant Statutes of British Columbia be amended to reflect the proposed new practice:

a) Minister presents Budget for upcoming fiscal year to the Legislative Assembly and moves a motion to adopt the Budget.

b) House debates Budget for enough days to accommodate those Members wishing to speak (House meets only in the afternoons, Monday to Thursday and Friday morning).

c) At the conclusion of the Debate on the Budget a motion is put to adopt the Government's spending proposals.

d) The Minister of Finance and Corporate Relations immediately introduces the Appropriation Bill for the fiscal year in question and, pursuant to the revised Standing Orders, the Bill proceeds through the House expeditiously.

e) Pursuant to the revised Standing Orders, the Government House Leader moves a motion referring a number of government ministry and Crown corporation programs to their respective sectoral Select Standing Committee.

f) Committees meet Tuesday to Thursday mornings while the House is in session and schedule their intersessional meetings around the resources available, to expedite their inquiry.

g) All MLAs have the opportunity to question witnesses by reserving time on specific issues under consideration by the Committee.

h) Committee inquiries are pursued according to established practice and precedent in the Legislative Assembly, the details of all such procedural changes to be considered first by a Legislative Committee.

Appendix E: Glossary of Terms

Consolidated Revenue Fund (CRF)—an accounting comprised of the consolidated results of ministries and special funds and accounts, but does not include government organizations or self-supported government business enterprises.

Generally Accepted Accounting Principles—means the accounting standards generally recognized by the accounting profession as the appropriate basis for calculating and presenting financial information.

Government—when capitalized, means collectively cabinet and the members of the Legislative Assembly that form the Government of the day.

Government business enterprises—organizations that can, in the normal course of business, maintain their operations and meet their liabilities from revenues received from sources outside of the government reporting entity.

Government organizations—organizations comprising the government reporting entity, except for government business enterprises.

Government Reporting Entity (or Summary Reporting Entity)—the aggregate of all public bodies that are included for reporting summary financial budgets and statements comprising the whole government.

Special Warrant—means an order of the Lieutenant Governor in Council that allows the Government to spend money up to a specified amount that is urgently and immediately required for the public good prior to having the spending approved by the Legislature.

SUCH sector—means the sector comprised of school districts, universities, colleges and health authorities.

Supplementary Estimates—means a request made by the Government to the Legislature for spending authority in addition to that approved in the annual Estimates, which needs to be debated and approved by the Legislature before the authority is granted.

Appendix F: Office of the Auditor General: 2000/01 Reports Issued to Date

Report 1

Fostering A Safe Environment: How the British Columbia School System is Doing

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